



MINUTES OF THE PENSION BOARD

Held as an online meeting on Wednesday 9 November 2022 at 6.00 pm

PRESENT (in remote attendance): Mr David Ewart (Chair), Councillor Kabir, Councillor Akram, Chris Bala (Pension Scheme Member representative), Bola George (Member representative – Unison), Robert Wheeler (Member representative- GMB), Sunil Gandhi (Employer Member- Non Brent Council).

ALSO PRESENT (in remote attendance): Councillor Mili Patel (Deputy Leader and Cabinet Member for Finance, Resources & Reform)

1. Apologies for absence

None.

2. Declarations of interests

None.

3. Minutes of the previous meeting

The minutes of the previous meeting held on Monday 25 July 2022 were agreed as an accurate record.

4. Matters arising (if any)

None.

5. Pensions Administration Update

Sawan Shah (Head of Pensions, Brent Council) introduced the report, which updated the Pension Board on various pensions administration matters as part of its remit to oversee the administration of the Brent Pension Fund.

The first part of the update concerned Pensions Administration Performance, covering the period from April to June 2022. In considering the report the Board noted:

- The Pensions Administration performance update for the Q1 2022-23 monitoring period, as detailed within Appendix 1 of the report.
- The quarterly average percentage of cases processed on time was 94.7%, which whilst below the contractual Service Level Agreement (SLA) target of 95% was within revised targets agreed during the Universal Pensions Management (UPM) migration period.
- In terms of Helpdesk call performance there had been a significant reduction in average call wait times with performance in June at 5 minutes 21 seconds and the average calls answered having increased from 84.6% in April to 94.7% in June.

- Phase 1 of the migration to Universal Pensions Management (UPM) had been completed with 9 LPPA clients now live and Brent scheduled to go live in November as part of the Phase 2 migration.
- The number of complaint cases remained low with 8 new cases received since the previous update and action being taken to ensure these were resolved as swiftly as possible. Following the completion of each case, a process was undertaken to ensure any lessons learned were reviewed and consequently, if necessary, processes and procedures updated.
- The Pension Regulator scores achieved in relation to the accuracy of common and conditional data had improved further since the previous quarter.

Jo Darbyshire (Managing Director, LPPA as the Pension Administration Service for the Fund) then provided the Board with a more in-depth overview of pension administration performance as detailed within the LPPA Q1 Pension Fund Administration Report. Key issues highlighted were as follows:

- Referring firstly to progress with the introduction of the new pension administration system and migration to Universal Pensions Management (UPM) the Board was advised that Phase 1 of the process had been successfully completed with nine out of 18 LPPA clients having 'gone live'. Phase 2 migrations were now underway, which included Brent, who were due to go live in November 2022. The Board were advised of the checks and measures in place to ensure a smooth transition to UPM with regular updates and a detailed technical sign off procedure in place to support the transition to the new system.
- Whilst anticipated and short-term in nature, it was recognised that the operational impacts arising from the phased "go lives" of the UPM migration programme had adversely affected performance against SLA which had been reflected in the Q1 performance data. Whilst overall performance against SLAs was improving it remained below target with the key areas impacting on performance including – increased volumes and spikes of work post go-live, system downtime with a 2 day Altair outage at the end of June and ongoing work and reallocation of resources in support of the Phase 2 migration programme.
- Performance was expected to improve during Q3, with call wait times under the non-contractual target of 4 minutes since June and learning from Phase 1 of the migration coupled with the provision of additional resource, training and systems having benefitted performance in relation to the Helpdesk throughout Phase 2.

Members were then invited to ask questions on the update provided, with responses summarised below:

- An assurance was provided that the "go live" date for the completion of Brent's UPM migration remained on track for 11 November 2022, with the Board advised of the ongoing anticipated impact in terms of Q2 performance (covering July – Sept 22).
- In response to concerns relating to the performance in average call wait times the Board were advised that although non contractual the reasonable average wait time was recognised as 4 minutes which was being delivered prior to Project PACE. The Board were therefore keen to support the priority

identified to continue improving performance in this respect and return to the previously consistent levels of performance once UPM migration had been completed alongside the reassurance provided regarding mitigations to maintain performance throughout Phase 2 of the migration programme.

- In terms of lessons learnt from the Altair outage, the Board were advised of the upgrade made by LPPA in terms of their system architecture and move towards a cloud based infrastructure, resulting in greater robustness.
- The Board enquired about a communications strategy to support Brent's UPM migration. In response members were advised of the measures taken by LPPA to ensure delivery of a full communications programme and strategy involving both employers and members. This included training and self-help guides, direct communication via emails and through the LPPA website and annual benefit statements, with further communications to be rolled out as the functionality of the new portal became available, which were all welcomed by the Board.

Having considered the performance update, the Board then moved on to consider an update on an issue identified in relation to the schemes retirement procedures and data held on pension increase dates affecting deferred members. Having noted the summary of the case identified (as detailed within section 3.12 – 3.15 of the report) the Board was assured of the action taken to review the cause of the issues identified, which had resulted in additional cases and overpayments being identified, and of the action being taken in response to consider how any overpayments would be dealt with on a case by case basis taking account of the individual circumstances and impact on the members concerned.

Members were then invited to ask questions on the update provided, with responses summarised below:

- In response to concerns raised, it was confirmed that the storage data error identified had not constituted a data breach or GDPR issue.
- Having been assured of the actions being taken to address the issue, the Board noted the additional measures being implemented to mitigate against any similar incidents in future, which included additional training for members of the Retirement team; the introduction of an enhanced and more proactive monitoring process and as a longer term solution an upgrade in the way pension increase data was stored and applied based on operational workflows developed as part of the business process reengineering process undertaken as part of migration to the new UPM system.

As a final part of the performance update the Board were provided with details on progress with the Annual Benefit Statement (ABS), which the scheme manager was required to issue to all eligible active and deferred members by 31 August each year.

As part of the update Sawan Shah advised:

- For active members, an ABS was issued to all members identified on the year end returns from employers by the deadline of 31 August 2022. There were a small number of records where queries from year end returns had not been resolved in time or an annual return had not been completed and sent to the

- Fund by the relevant employer (one of which was now outstanding). Whilst only representing a minority of members, the Board was advised that the number of statements outstanding was higher than the previous year with the outstanding statements due to be provided as soon as the relevant queries had been cleared and relevant information received from the employer.
- Whilst the Pension Administration Strategy (PAS) enabled the scheme manager to take action against employer(s) who did not comply with their statutory and legal obligations to the Fund, it was not felt that no formal action was required, at this stage, in terms of treating the outstanding statements as a material breach that needed to be reported to the Regulator. This view had been reached taking account of the breaches policy operated by the Fund (as set out in Appendix 2 of the report) and as a result of the close work being undertaken with LPPA and the relevant employers to monitor and resolve the outstanding issues and queries as soon possible and as a high priority. It was noted that employers who had not submitted their returns in a timely manner had been contacted multiple times with any significantly overdue submissions having been escalated to senior management of those employers and the PAS providing the Fund with the powers to take action against employers who had not complied with the standards set out within the strategy.
 - In light of the issues experienced during the current year, officers planned to review the Breaches Policy and PAS to see if there were any further areas which could be strengthened, the results of which would be reported back to the Board for future review.

Whilst concerned at the delays identified, the Board recognised the work being undertaken between the Fund and LPPA to closely monitor the position and work with employers to ensure the prompt submission of their returns. Members agreed that the issues identified had not constituted a material breach (based on the reasons outlined) and on the basis that whilst technical in nature, the issues identified were not felt to represent a systemic or continuing breach. The Board were keen, however, to ensure the outstanding queries were resolved as soon as possible.

As a final update the Board noted that the Fund would be holding an Employers Forum on 23 November 2022, which Board members would be welcome to attend and all fund employers and their payroll providers had been invited to participate in. The event would include presentations from the Fund Actuary, Hymans Robertson and LPPA, and will provide updates on the 2022 valuation and other employer responsibilities. Given the importance and issues identified, the Board were keen to ensure that all Fund employers were encouraged to attend the Forum and requested that an update be provided for the next meeting on attendance at the event.

As there were no further questions from Members, the Chair thanked Jo Darbyshire and officers for the update, and it was **RESOLVED** that the report be noted with a further update to be provide for the next meeting on the Employers Forum and resolution of the outstanding issues in relation to the Annual Benefit Statements.

6. **Brent Risk Register**

Rubia Jalil (Finance Analyst, Brent Council) presented a report, updating the Board on the Risk Register for the Brent Pension Fund Pensions Administration Service.

In considering the report, the Board noted the following:

- No new risks have been added to the Risk Register since the previous update in July 2022.
- The changes made to the Risk Register, as detailed within section 3.6 and Appendix 1 of the report. The key changes identified included:
 - Item 5.3 (Employer Data – Failure to provide data accurately and on time) being updated to reflect the controls in place including Employer Engagement and Forum and training.
 - Item 5.7 (Data Migration) the likelihood of the risk materialising had been changed from 3 to 2 with the overall score for the risk having changed from 24 to 16 due to the experience gained from early data cuts.
 - Item 6.12 (Pension Plan Events Planning) being updated following completion of GMP reconciliation.
 - Item 9.12 (The Fund's Assets Insufficient to Meet Long Term Liabilities) being updated to reflect the 2022 Fund valuation.

The Board also received and noted the Risk Strategy for the Fund, attached at Appendix 2 of the report.

The Board welcomed the report and as no further issues were raised it was **RESOLVED** to note the report including the key changes set out in section 3.6 of the report.

7. **LGPS Update**

Rubia Jalil (Finance Analyst Brent Council) introduced the report providing an update on recent developments within the Local Government Pension Scheme (LGPS) regulatory environment and any recent consultations issued which would have a significant impact on the Fund.

In considering the report the Board noted the following updates:

- The publication of a factsheet by the Pensions Ombudsman (TPO) in July 2022 on the McCloud judgement setting out the Ombudsman's views on what affected members and schemes could do in response to the original judgement and their present approach to dealing with complaints relating to the impact of the judgement.
- The TPO had recognised the steps being taken by the Government to address the age discrimination issues in relation to public sector schemes as a result of the judgement, with retrospective effect and had therefore advised they would need to carefully look at the facts of any related case before deciding whether or not to investigate, with the factsheet providing examples of where they may decide to do so.
- The launch of a consultation by HM Treasury in August 2022 on public sector exit payments. The consultation covered the proposal and guidance to introduce an expanded approvals process for employee exits and special severance payments, along with additional reporting requirements which whilst not applying to local authorities would apply to academies.

- The publication of a press release by The Pensions Regulator (TPR) warning employers to ensure they were complying with their automatic enrolment duties. This followed a number of in-depth compliance inspections earlier in the year where the Regulator had found several common errors in respect of calculating pension contributions and communications to staff and encouraged employers to also check their systems and processes were up to date and running smoothly as part of the standard re-enrolment process.
- The inclusion of details on the Local Government Association website relating to the cost of living crisis, which included advice on support in relation to living costs, reducing or stopping pension contributions, pension scams and help for pensioners on lower incomes.

The Board welcomed the report and as no further issues were raised it was **RESOLVED** to note the recent developments in the LGPS, as detailed within the report.

8. **Quarterly Investment Monitoring Update Report - Q2 2022**

The Board received an update on the Brent Pension Fund Q2 2022 Investment Monitoring Report, which it was noted had been considered in detail by the Brent Pension Fund Sub Committee on 5 October 2022.

In considering the report, the Board noted the impact on the Fund's investment performance as a result of the ongoing challenging economic context and market volatility, with a majority of the Funds asset classes having struggled as a result. The Sub-Committee had been assured, however, that despite the current challenges the Fund remained broadly in line with the interim and longer-term target allocations for growth and cash with relative performance over the three-year period remaining positive.

The Chair thanked officers for the update with the following issues raised in response by the Board:

- In response to concerns regarding the impact that any recession would have on the Fund, the Board were advised that due to the risk profile, longer-term scope and global nature of investments, public sector schemes were not likely to be as adversely impacted by a recession or the recent market volatility than private sector schemes. Whilst recognising that investment performance would be negatively impacted over the short term as asset values were depressed the Board were advised that the Fund was still forecast to remain cash-flow positive with the ability to meet its obligations based on a robust Investment Strategy designed to minimise risk.
- Confirmation was also provided that initial modelling for future cash-flow remained positive.

Members welcomed the report and with no further issues raised, it was **RESOLVED** to note the Q2 Investment Monitoring Update.

9. **Net Zero Roadmap Update and Responsible Investment Policy**

The Board received a report providing an update on progress against the Fund's net zero transition roadmap, Responsible Investment Policy and the LGPS

Consultation on Governance and reporting of climate change risks, which it was noted had been considered in detail by the Brent Pension Fund Sub Committee on 5 October 2022.

Members welcomed the report and with no further issues raised, it was **RESOLVED** to note the update to the net zero roadmap, updated Responsible Investment Policy and LGPS Consultation on Governance and reporting of climate change risks, on which members were advised they would be welcome to submit comments for inclusion by officers as part of the final response to be provided on behalf of the Fund.

10. **Brent Pension Fund: Annual Report and Accounts 2021/22**

The Board received a report providing an update on the Pension Fund Annual Accounts for the year ended 31 March 2022, which it was noted had been considered in detail by the Brent Pension Fund Sub Committee on 5 October 2022.

In considering the report the Board were advised that the latest Statement of Accounts and Annual Report (attached as Appendix 1 to the report) contained minor presentational and disclosure changes from those previously presented in July 2022 with the main audit fieldwork now also substantially complete and the anticipated results of the final Pension Fund audit which Grant Thornton (as the Council's External Auditors) were undertaking being an unqualified opinion, as detailed within the draft Brent Pension Fund Audit Findings Report 2021/22 (attached as Appendix 2 to the report).

Whilst recognising that final sign-off of the Pension Fund accounts and audit findings had been delayed, the Chair felt it important to recognise this had not been linked to any issue with the Pension Fund accounts but a wider national accounting issue with officers thanked for the work undertaken to ensure the accounts had been completed and submitted within the necessary deadline.

Members welcomed the report and as no further issues were raised it was **RESOLVED** to note the report along with the Statement of Accounts included within the Annual Report and Brent Pension Fund Audit Findings Report 2021-22.

11. **2022 Valuation - Funding Strategy Statement Update**

The Board received a report providing an update from the Fund Actuary that highlighted the key changes being considered for the 2022 Funding Strategy Statement (FSS) review being undertaken in compliance with the requirement for a formal valuation of the whole Fund to be undertaken every three years, under Regulation 62 (1) of LGPS Regulations, which it was noted had been considered in detail by the Brent Pension Fund Sub Committee on 5 October 2022.

Members welcomed the update and as no further issues were raised it was **RESOLVED** to note the report and key changes for the 2022 Funding Strategy Statement (FSS) along with the fact that the draft FSS would be subject to consultation with employers, as required by LGPS Regulations in advance of it being presented to the Brent Pension Sub-Committee for formal ratification at its next meeting in February 2023.

12. **Any other urgent business**

Prior to moving into the closed session of the meeting, the Chair took the opportunity to thank Rubia Jahlil (Finance Analyst Brent Council) for her support to the Board given this would be her final meeting as she moved on to take up a new role. In addition, Andrew Phillips (Governance Team) was also thanked for his work to support the Board as he also moved on to take up a new role elsewhere within the Council.

The Board was also reminded of the requirement for all members to have completed their Pension Regulator Member Toolkit, if they have not done so during the past two years.

13. **Exclusion of Press and Public**

At this stage in proceedings the Board **RESOLVED** that the press and public should be excluded from the remainder of the meeting as the reports and appendices to be considered contained the following category of exempt information as specified in Paragraph 3, Schedule 12A of the Local Government Access to Information Act 1972, namely:

“Information relating to the financial or business affairs of any particular person (including the Authority holding that information).”

Having passed the above resolution the live webcast was ended at this stage of the meeting.

14. **2022 Valuation - Whole Fund Results**

The Board received a report providing an update on the initial 2022 whole fund valuation results as at 31 March 2022, which it was noted had been considered in detail by the Brent Pension Fund Sub Committee on 5 October 2022.

In considering the report the Board were advised of the high level funding results, as detailed in section 3.4 of the report, which showed how (compared to the formal valuation in 2019) the funding position had improved based on liabilities having increased by £193m and asset values by £278m, meaning a reduction in deficit by £85m. Members were also advised that the overall funding level had improved to 87% compared to 78% at the previous valuation and 55% at the 2016 valuation, with the increase reflecting the progress made in the overall financial health of the pension fund, higher than expected investment returns and improved data quality.

In recognising the progress being made in terms of the Funds overall financial health, the Board commended officers for their efforts, particularly in relation to the data cleansing exercise that had been undertaken to improve data quality and prudent approach towards managing the Fund's long term Investment Strategy.

As no further issues were raised it was **RESOLVED** to formally note and welcome the progress made with the Fund valuation, Whole Fund results and improved funding position since the 2019 valuation.

15. **2022 Valuation - Employer Contribution Strategy**

The Board received a report presenting an analysis from the Funds Actuary (Hymans Robertson) regarding the contribution rate strategy for the Council for the three years from 1 April 2023, which it was noted had been considered in detail by the Brent Pension Fund Sub Committee on 5 October 2022.

In considering the report the Board were advised of approach taken in relation to the review of the Contribution Rate Strategy which had been based on a modelling exercise for the stabilised employers within the Fund, including Brent Council, local authority schools and most academy schools in Brent. Members were advised of the factors needing to be considered when setting contribution rates along with the need to take a balanced approach between the Fund's need to maintain prudent funding levels and the employers' need to maintain reasonably stable employer contribution rates as a means of managing any downside risk and avoiding any permanent fall in asset values.

The Board were advised that the process had led to a number of different contribution rate scenarios being modelled and reviewed with the recommendations made as a result in relation to the employer contribution rates over each of the next three years from 2023-24 to 2025-26, having been approved by the Pension Fund Sub Committee, as detailed within section 3.15 of the report.

In response to comments raised by the Board on the update, members were assured of the process undertaken to model the different contribution rate scenarios based around a range of future market and economic conditions and in terms of their impact on contributions and asset values, with the detailed results having been set out in the analysis provided by Hymans Robertson (within Appendix 1 of the report).

In recognising and welcoming the carefully designed nature of the approach recommended, the Board **RESOLVED** to note the report and to endorse the decision made by the Brent Pension Fund Sub Committee to approve the employer contribution rate for the next three financial years, as detailed within section 3.15 and Appendix 1 of the report.

16. **London CIV Update**

The Board received a report, which provided the latest update on recent developments regarding the Brent Pension Fund Investments held within the London CIV (LCIV). It was reported that the report had been considered in detail by the Brent Pension Fund Sub Committee on 5 October 2022. The update included (as detailed in Appendix 1) the quarterly investment performance review of the following investments held by Brent, namely within London CIV Emerging Market Fund; London CIV Diversified Growth Fund, London CIV Absolute Return Fund and LCIV MAC Fund along with a summary of London CIV environmental, social and governance (ESG) activity. Also included (as detailed in Appendix 2 of the report) was the LCIV quarterly investment review for private markets which included Brent's investments in the following funds: LCIV Infrastructure Fund and LCIV Private Debt Fund along with valuation and performance data for the underlying portfolio. As a final update members' attention was drawn to the general updates

provided by the London CIV (as set out in Appendix 3) in relation to investment, fund launches and fund monitoring and operational controls.

Having considered the update provided, the Sub Committee **RESOLVED** to note the reports and updates provided by London CIV.

The meeting closed at 7.21 pm

MR. DAVID EWART
Chair